

DATAAGRO



Global Trends & Perspectives for Sugar

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DATAGRO

UNITED STATES DEPARTMENT OF AGRICULTURE

WORLD AGRICULTURAL OUTLOOK FORUM

February 19-20, 2015

Crystal Gateway Marriott Hotel, Arlington, Virginia

Variables influencing Sugar Trends

Exchange rates

Ag productivity

Cost of logistics

Intensity of Diversification

Production factor costs

T&EPAs

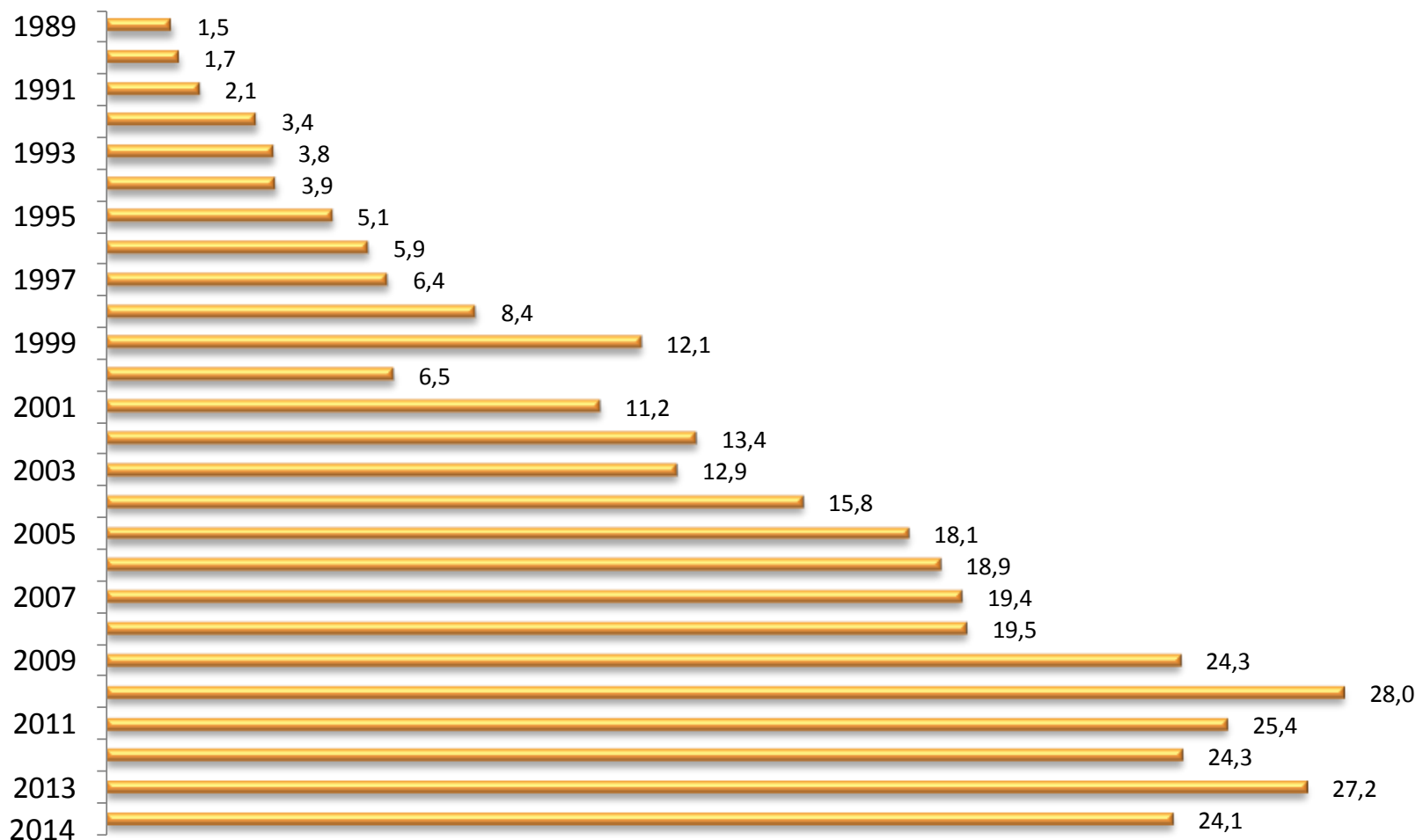
Regulatory & Investment
Environment

Brazil in the world of cane

- 35.3% of world's cane supply (2014);
- 42.7% of world exports is 42.7% (2014);
- 29.8% of Cane dedicated to Export Sugar (2014).

Brazilian Sugar Exports

(in million tons tel auel)



Source: MDIC/SECEX

Advantage of Diversification towards Ethanol

- Enabled sugars in molasses, usually sold at discount over sugar, to be priced closer to sugar equivalent.

Ethanol substituted between 1975-2014

2.41 billion barrels of gasoline



Proved reserves of oil & condensates
(including Pre-Salt) in 2014:

**13.13 billion barrels (SEC), or
16.61 billion barrels (SPE/WPC).**



Between 1975 & 2014, volume de
gasoline substituted by ethanol:

2.41 billion barrels

At current pace, every year another 127 million barrels
are substituted without the need of new investments
because it is renewable!

Hard currency savings

- Between 1975 & 2014, substituted gasoline valued at its world price enabled savings of

US\$ 185.4 billion, without considering the cost of foregone debt, or

US\$ 381.3 billion, considering the cost of foregone debt

(estimated at Prime Rate + 200 base pts).

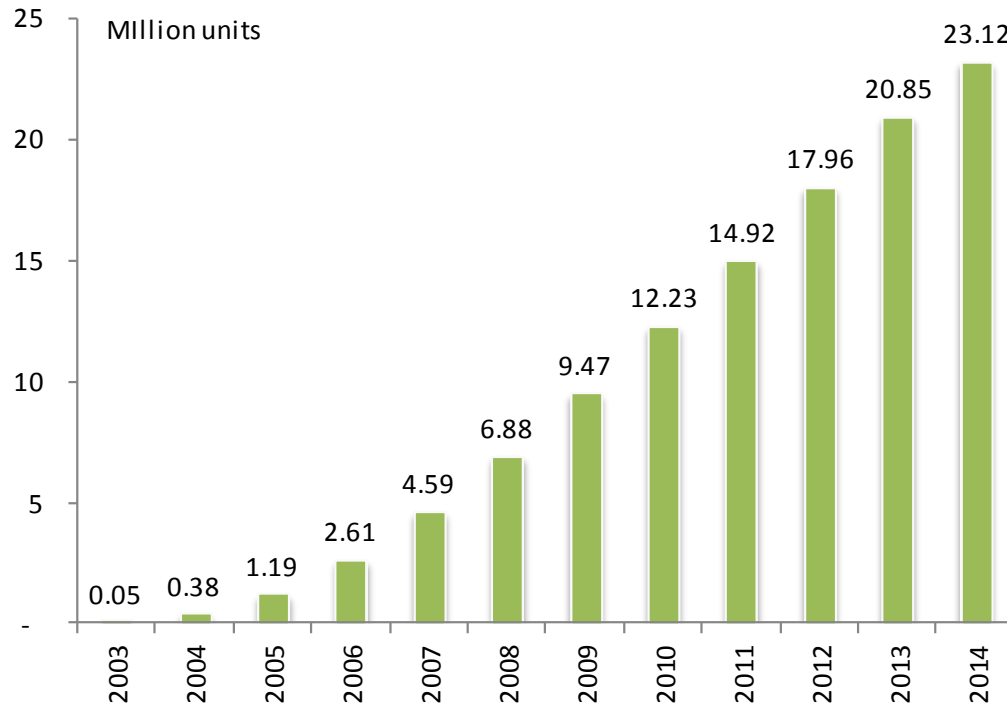
Source: DATAGRO

**Brazil's foreign reserves
(January/2015): US\$ 372.93 billion.**



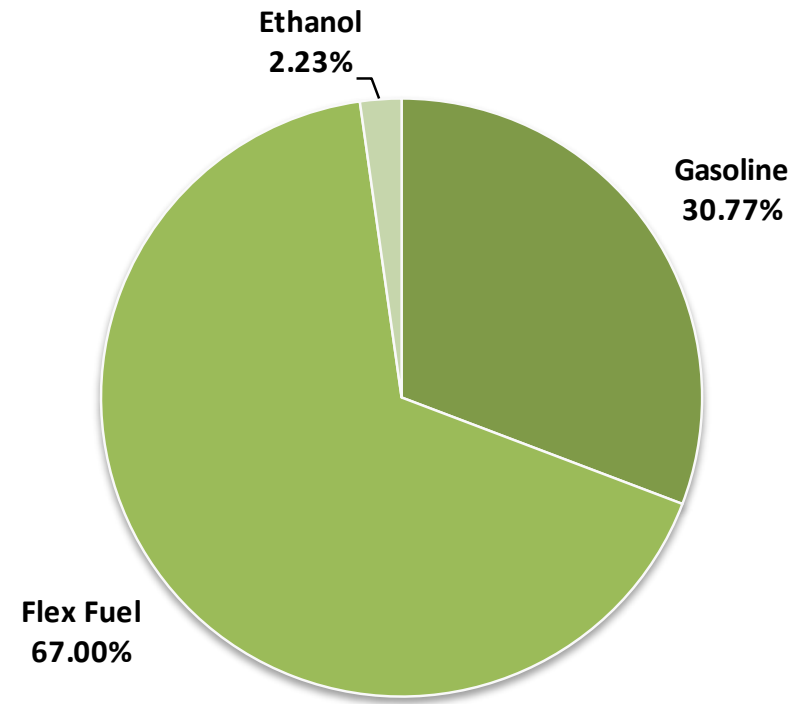
SIZE OF THE DOMESTIC FLEET (OTTO CYCLE)

Flex-Fuel Vehicle Fleet



Source: DATAGRO

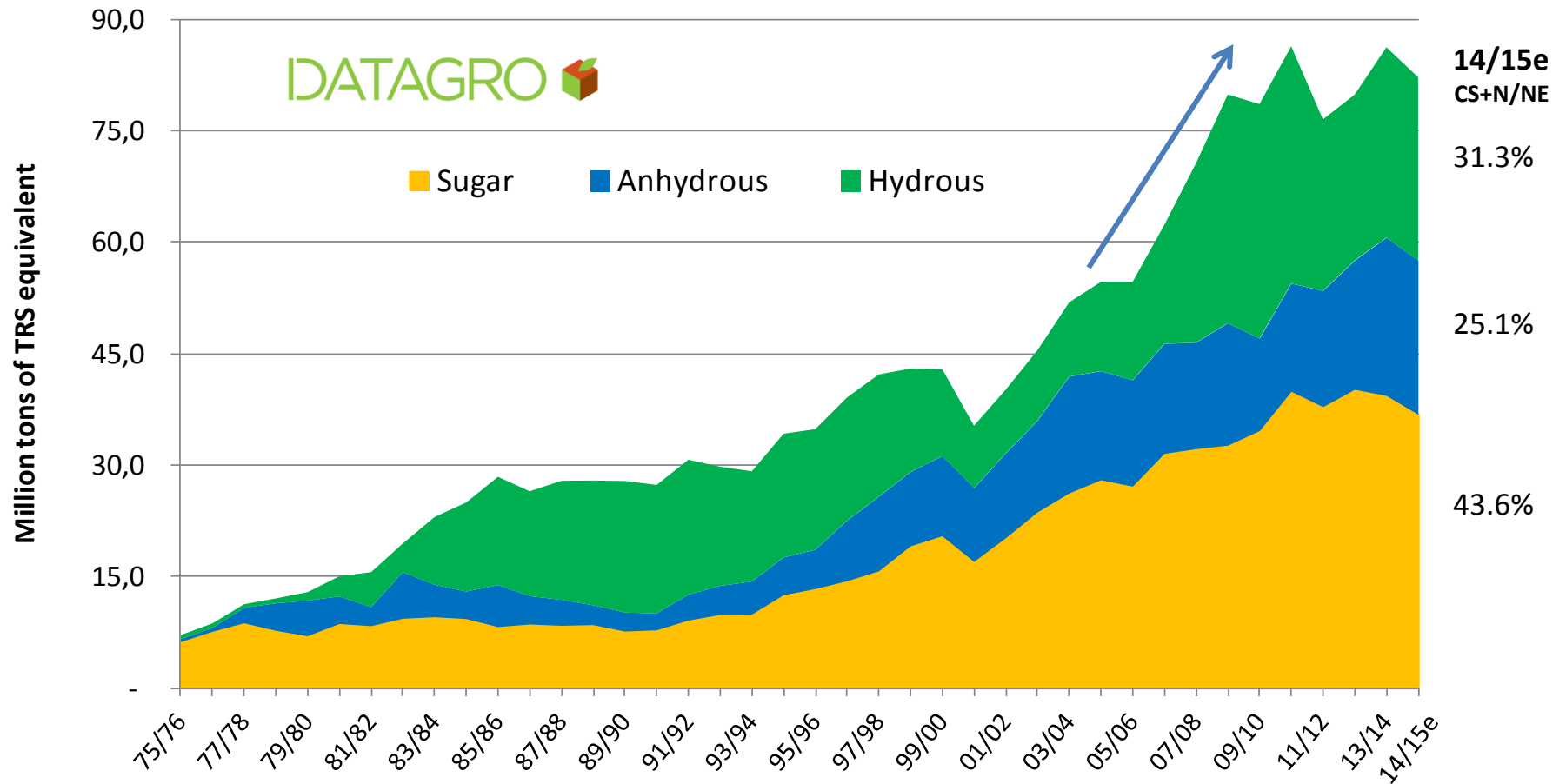
Vehicle Fleet by Type of Fuel (2014)



Source: DATAGRO

- Flex cars were responsible for 67.0% of total light vehicle fleet. This proportion is rising every year:
 - ✓ 2013: 63.12%
 - ✓ 2012: 58.02%
 - ✓ 2011: 52.07%

Brazilian Supply of Sugar+Ethanol (in TRS equivalent): with intense growth 2003-2010 period



Source: DATAGRO

Note: TRS is Total Reducing Sugars, a common denominator for sugar and ethanol.

Exchange Rate (Reais per US\$)



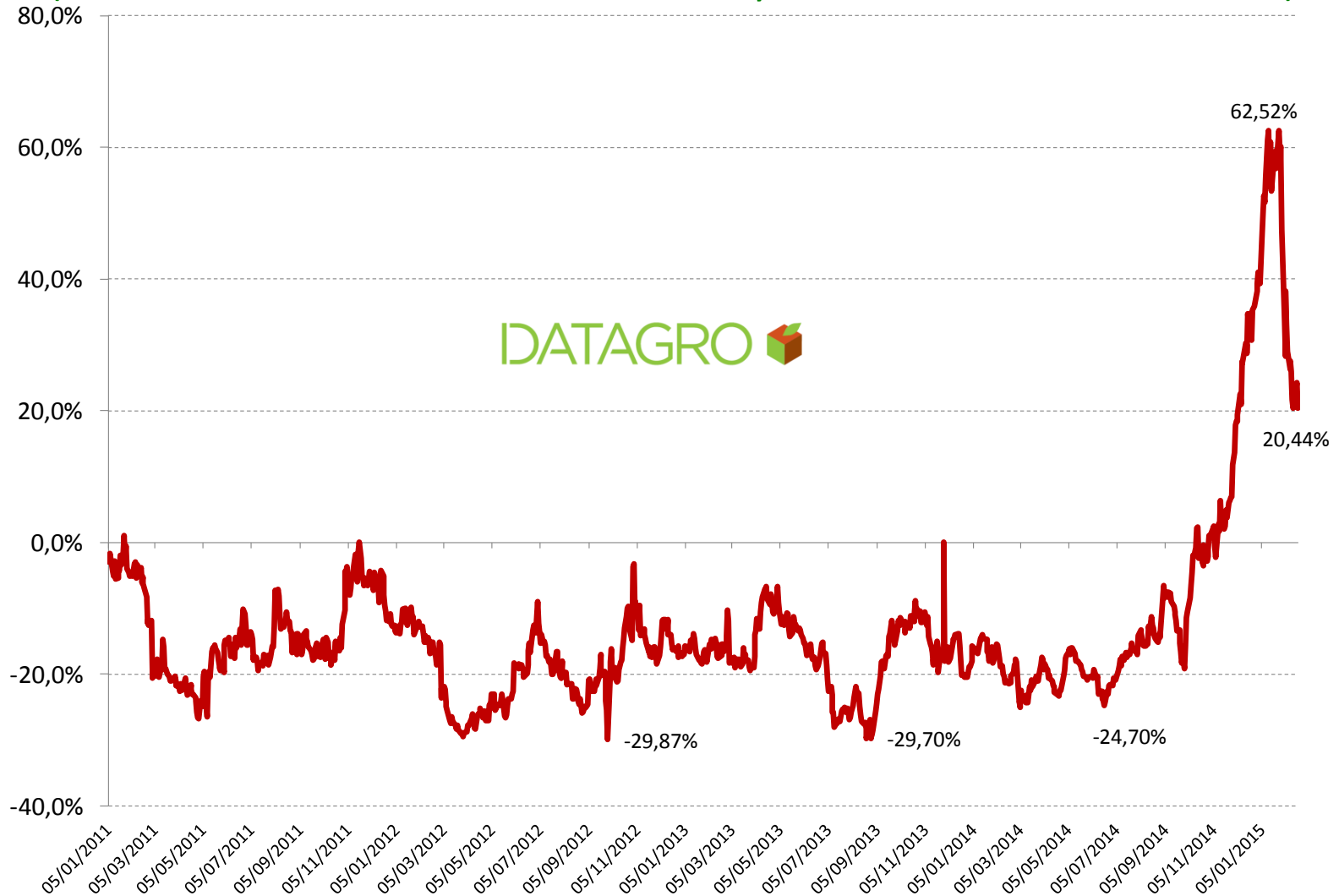
Source: Brazil's Central Bank (BACEN).

Factors affecting Brazil's Sugar Industry

- Government intervention in the domestic price of gasoline, sold at subsidized levels to consumers during last 6 years;

Price of Gasoline Differential in Brazil

(% difference between Price at Refinery in Brazil and RBOB Houston)

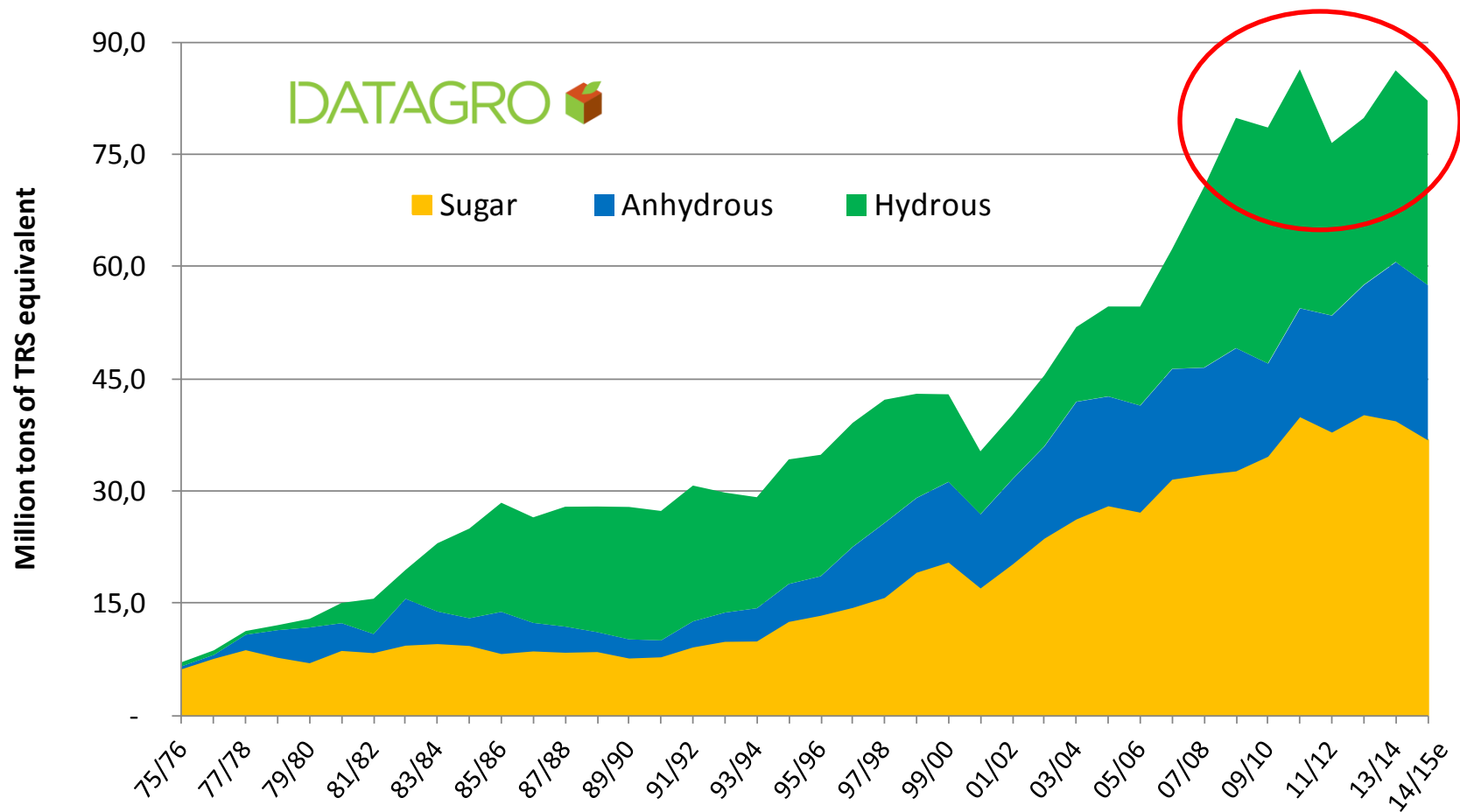


Source: DATAGRO

Factors affecting Brazil's Sugar Industry

- Government intervention in the domestic price of gasoline, sold at subsidized levels to consumers during last 6 years;
- Adverse climate conditions since 2009;
- Rise in production costs caused by:
 - high debt and debt services caused by the financial crisis of 2008/09, and
 - the profound operational consequences of the rapid mechanization of harvesting and planting.

Stagnant investments in crush capacity since 2010, and bumpy road until 2014...

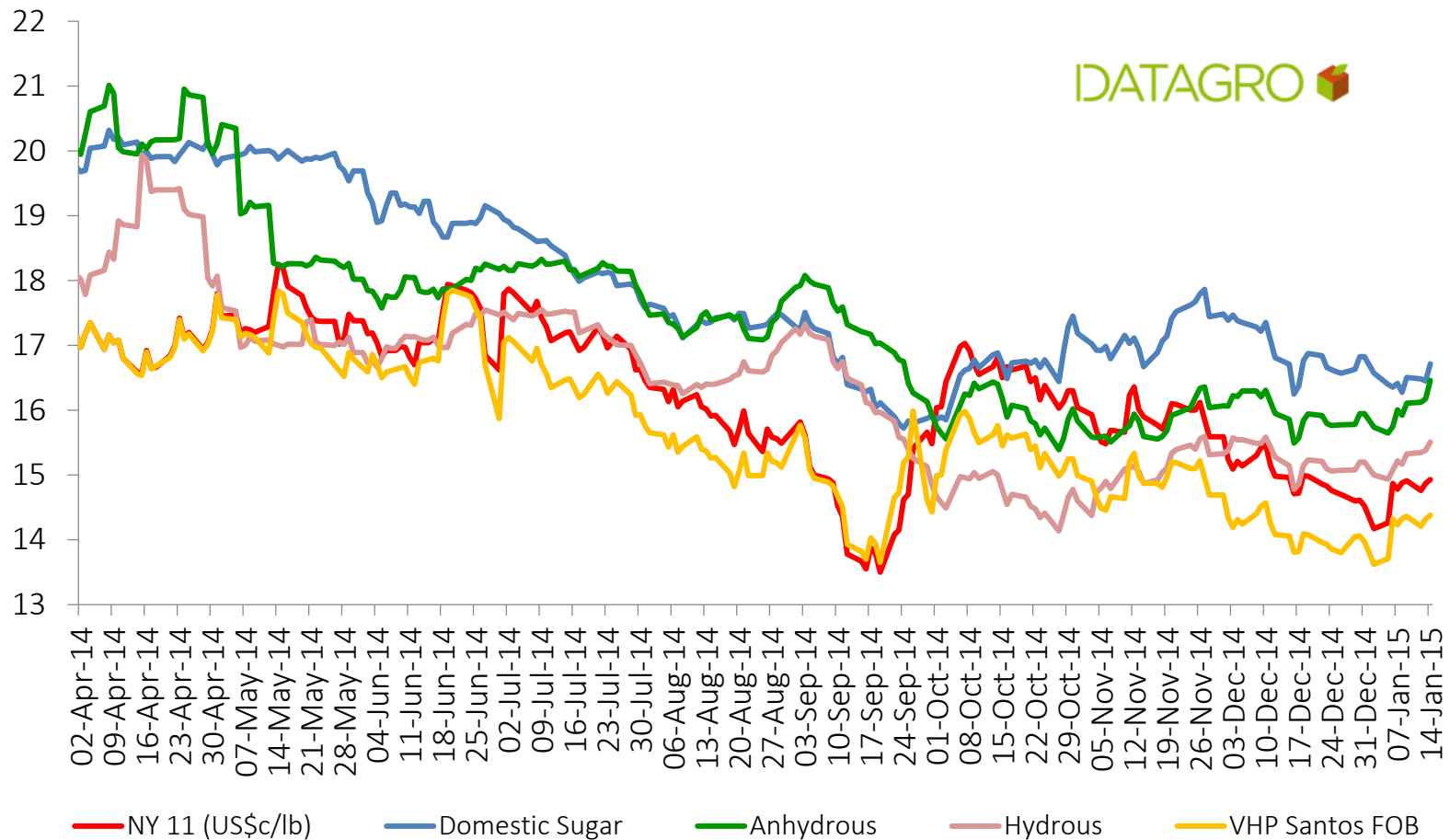


Source: DATAGRO

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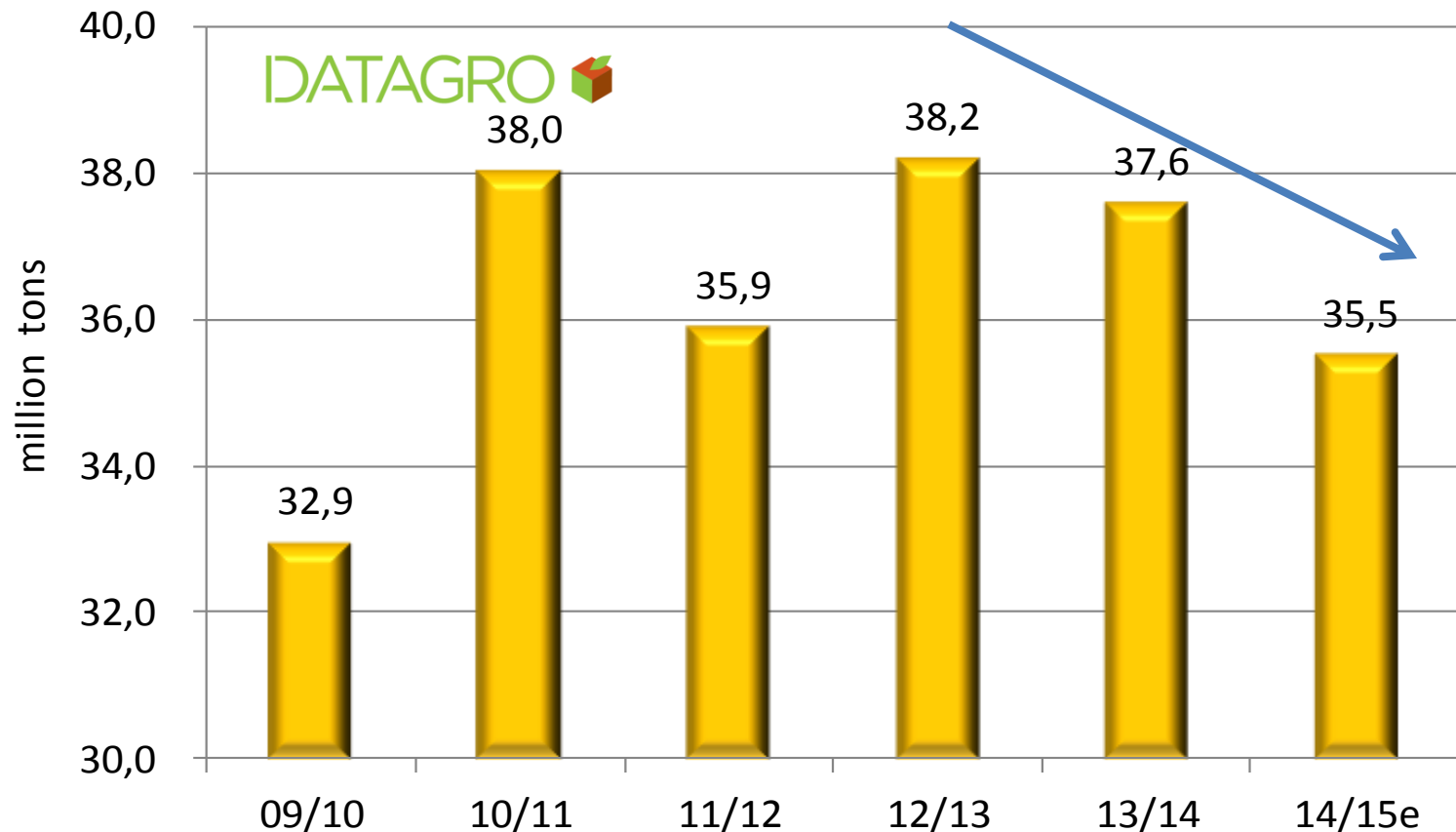
DATAGRO PRICE EQUIVALENCIES

For typical mill located in RIBEIRAO PRETO, SP
US\$ c/lb FOB



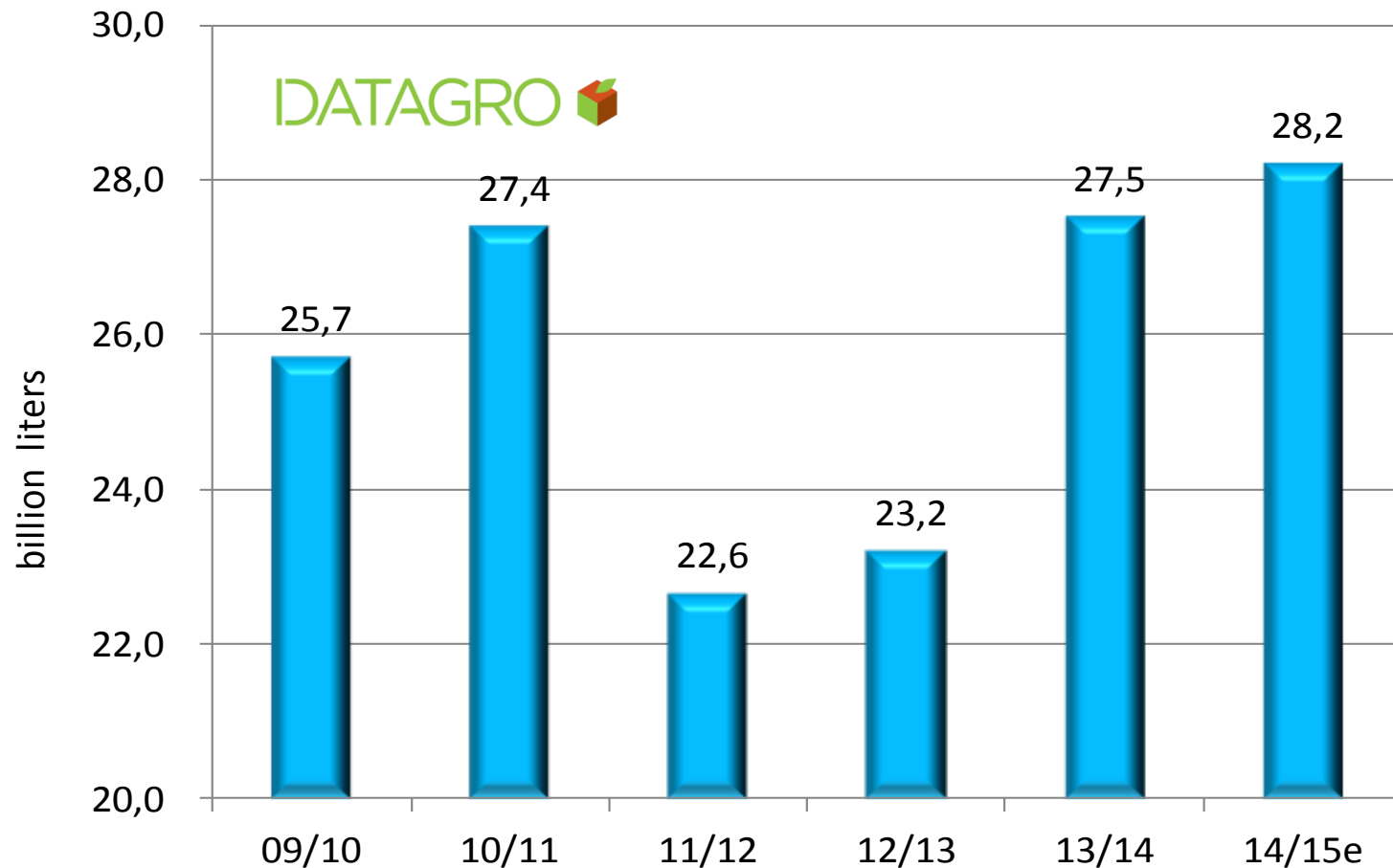
Source: DATAGRO

Brazil: production of sugar has fallen since 2012



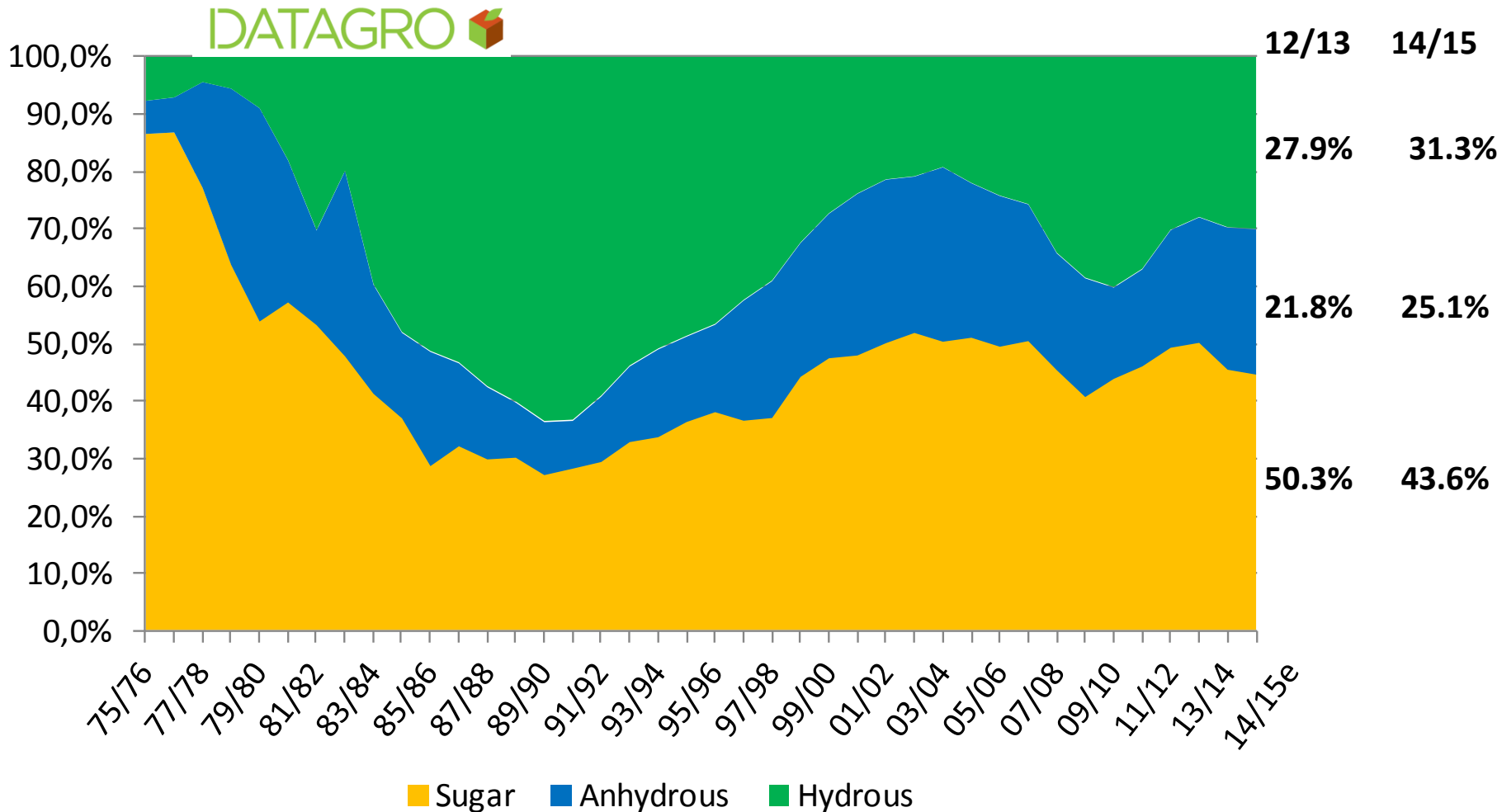
Source: Elaborated by DATAGRO, from data obtained with Syndicates of Producers.

Brazil: a new record production of ethanol achieved in 2014/15



Source: Elaborated by DATAGRO, from data obtained with Syndicates of Producers.

A large shift in production mix since 2012/13



Fonte: DATAGRO

INDIAN SUGAR PRODUCTION IN GOOD PACE

Sugar Price – Vashi, Maharashtra

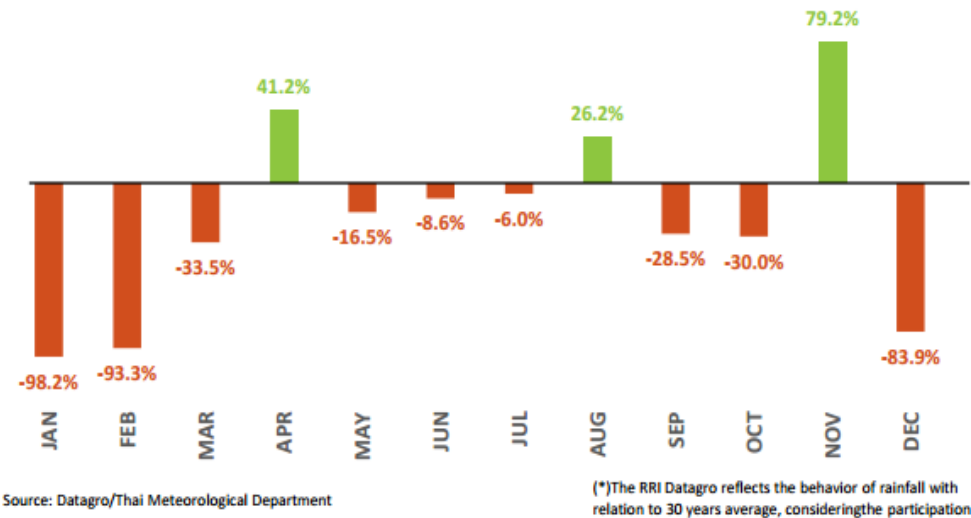


Source: NCDEX

- India's government is inclined to renew the sugar export subsidy at 4,000 rupees per ton (equivalent to 65.5 dollars per ton), with the objective of exporting up to 1.4 million tons in 2015, restricting it to mills that produce ethanol, thus providing an incentive to their diversification.
- India has an installed sugar production capacity of 31 million tons, and it should be expected that the current production of around 26 million tons white value (against 24.27 million tons in the previous crop) may rise steadily towards the 29 to 30 million ton level in the medium term.

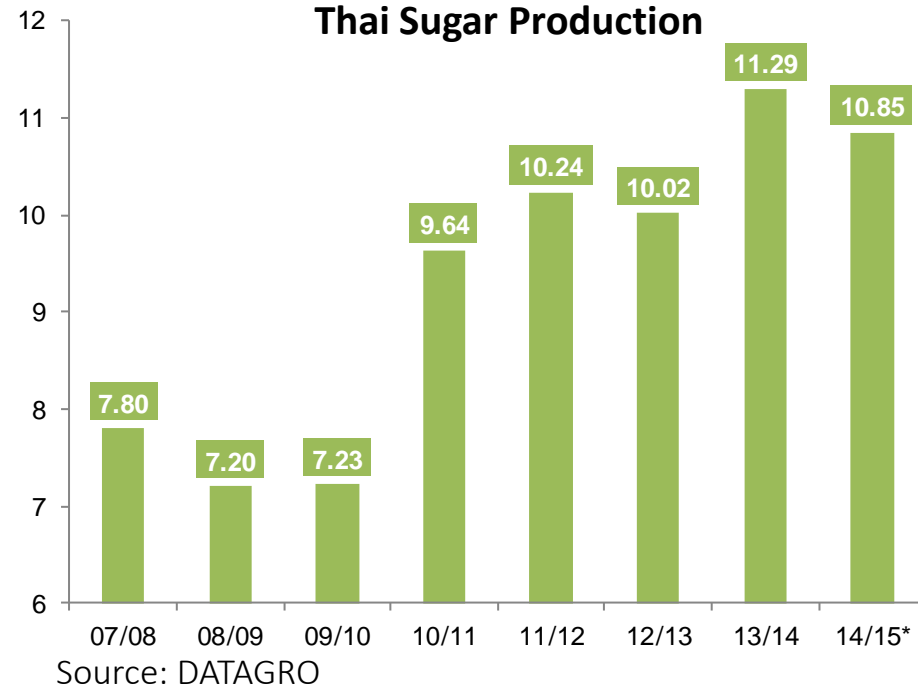
DROUGHT HITS THAILAND

Datagro's Rainfall Relative Index, 2014*
Thailand



■ In Thailand, we also observe a steady expansion path. While the current crop is being affected by drought, exports may reach a record 8 million tons in 2014/5, with ending stocks still maintaining a high level around 8.05 million tons.

Thai Sugar Production



- Acreage in cane can grow 74% in the next 3 years, from 1.48 to 2.57 million hectares, from a government-led program of conversion of rice acreage to cane.
- Considering current productivity, Thailand can produce 18 to 19 million tons of sugar in 2017/18. With domestic consumption of only 2.5 million tons,

RUSSIAN SUGAR PRODUCTION IN 2014/15 ABOVE EXPECTATION

- Russia, which used to import more than 5 million tons of sugar per year, in 2014/15 will import less than 890 thousand tons.
- Russia's beet production continues to expand benefiting from import tariffs that range from 171 to 240 dollars per ton, during the year.
- The region's customs union is strengthening trade links between Russia and nearby countries, which have also benefited from significant productivity gains in beet.

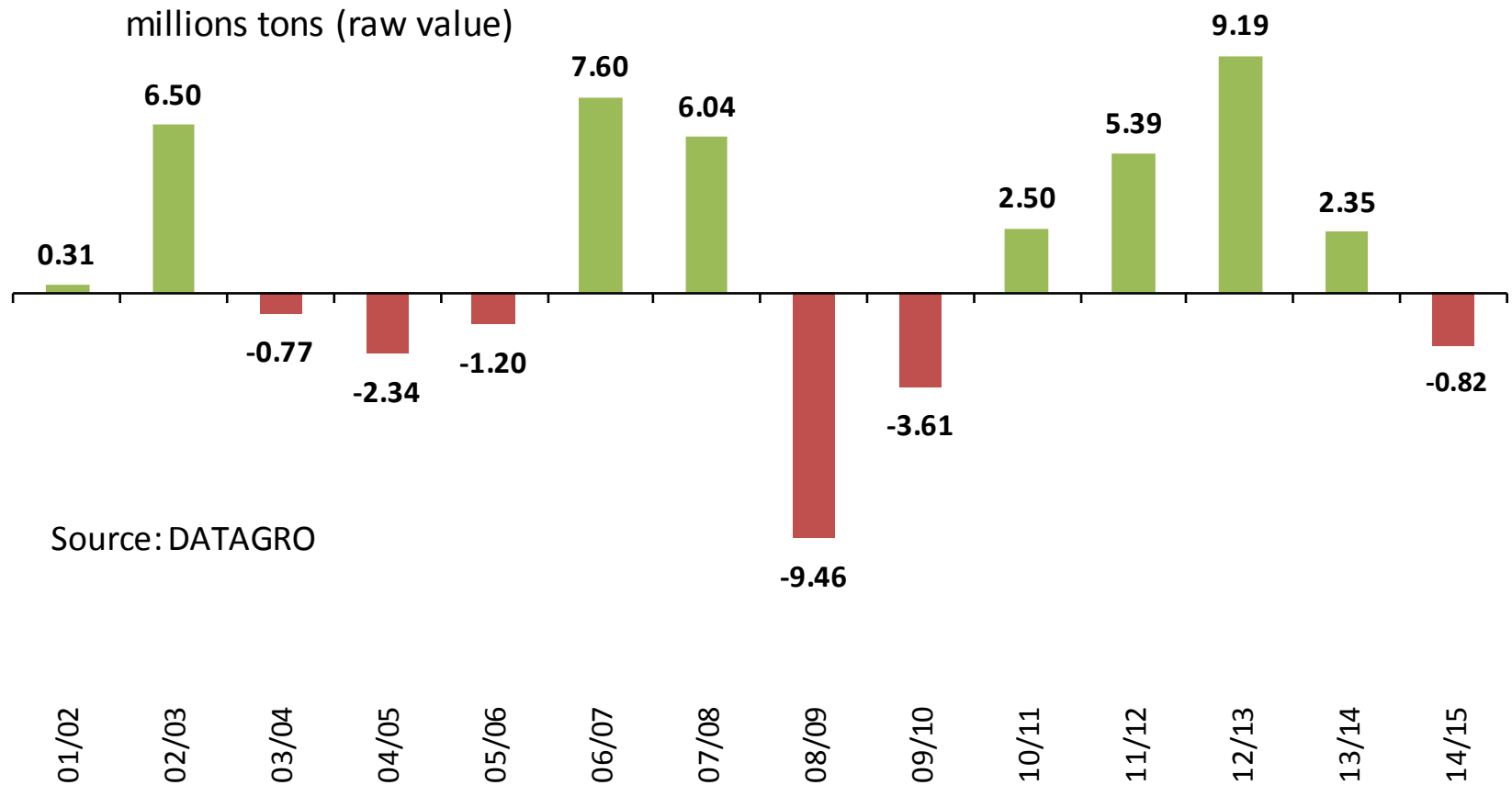


OTHER FUNDAMENTS OF THE SUGAR MARKET

- In Australia, sugar production reached 4.55 million tons, an 8.3% rise over the previous year. For 2015, the same production level is expected.
- Tariffs, trade and economic partnership agreements (EPAs) continue playing an important role in determining flow trades and regional industry development.
- Europe is regaining its relevance in world sugar trade. Container return freight from Europe to Asia at nearly zero cost has brought renewed competitiveness for EC's white sugar with product from independent refineries in various destination markets. Colombia, Peru and certain Caribbean countries are benefiting from their EPAs with the EC not only for the European market, but using it as a hub to access Asia.
- In NAFTA, the US reduced significantly its imports of sugar from Mexico in 2014/15. US Department of Commerce investigation recommended countervailing duties of 17.01% and anti-dumping charges of 47.26%. Decision is pending on the matter.

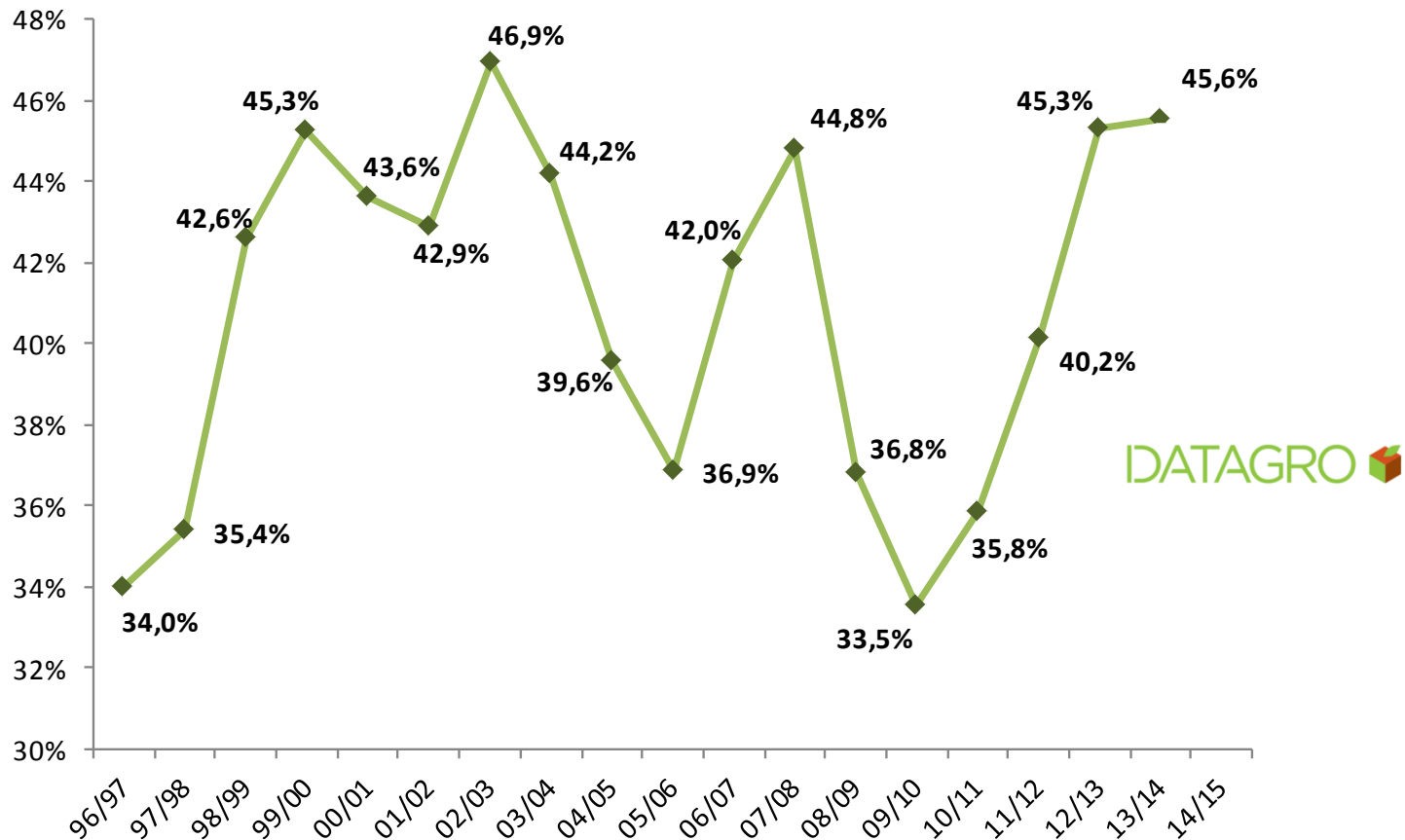
WORLD SUGAR S&D FOR 2014/15 INDICATES LOWER DEFICIT

World Sugar Balance - Surplus/Deficit



WORLD SUGAR STOCKS

Stocks/Consumption Ratio



- ✓ For 14/15, relation stock/consumption should fall marginally to 45%, a level that still provides comfort to maintain market supplied;
- ✓ An accumulated deficit of 7 million tons is needed to bring the ratio down by 4 percentage points.

DATAGRO's World Sugar S&D

Production

Sugar Production (in metric tons raw value) - Period October/September

	2012/13	2013/14	2014/15	Var. 14/15 vs. 12/13
Brazil	40.050.885	37.726.671	35.482.555	- 4.568.330
EU	17.035.339	16.634.398	19.133.916	2.098.577
Thailand	10.343.458	11.639.342	10.955.818	612.360
India	26.508.413	25.246.832	27.413.043	904.630
United States	7.920.916	7.926.149	7.610.239	- 310.677
Mexico	6.900.261	6.067.708	6.200.000	- 700.261
Russia	5.132.065	4.797.130	4.786.326	- 345.739
Others	62.229.907	63.506.424	61.741.354	- 488.553
World	176.121.244	173.544.654	173.323.251	- 2.797.993

Source: DATAGRO.

DATAGRO's World Sugar S&D Consumption

Sugar Consumption (in metric tons raw value) - Period October/September

	2012/13	2013/14	2014/15	Var. 14/15 vs. 12/13
Brazil	11.799.546	11.893.324	12.010.572	211.026
EU	19.280.127	19.292.543	19.293.655	13.528
Thailand	2.735.175	2.745.002	2.755.439	20.264
India	24.431.185	24.841.957	25.371.957	940.772
United States	10.543.335	10.923.492	10.915.026	371.691
Mexico	4.398.563	4.494.244	4.683.007	284.444
Russia	5.638.366	5.650.871	5.701.450	63.084
Others	88.044.777	90.865.306	93.410.496	5.365.719
World	166.871.073	170.706.738	174.141.601	7.270.527

Source: DATAGRO.

Flags

- The government regulated price of gasoline in Brazil, and whether there will be a bail-out of the highly indebted part of the Brazilian industry;
- Consequences of the phase-out of sugar production quotas in Europe;
- Exchange rate movements between the US dollar and: the Brazilian Real, the Euro, the Thai baht, the Indian rupee, and the Russian ruble;
- The intensity of diversification towards ethanol in India, Thailand, Colombia and the Philippines;
- The speed of the Thai conversion from rice to cane;
- The impact of lower oil prices in Nigeria and other relevant sugar-relevant countries in Africa; and
- The final ruling and agreement on sugar between the US & Mexico.



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FUTURE EVENTS CALENDAR

13 May 2015 (New York Sugar Dinner)

9th ISO DATAGRO New York Sugar & Ethanol Conference

Waldorf=Astoria Hotel, New York

10 July 2015

4th Sugar & Ethanol Summit – Brazil Day

IoD – Institute of Directors, London

25 August 2015

4th DATAGRO Ceise Br Fenasucro Conference

Sertaozinho, Brazil

21-22 September 2015 (Sao Paulo Sugar Dinner)

15th DATAGRO International Conference on Sugar & Ethanol

Grand Hyatt São Paulo, Brazil



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